



U.S. Department of Justice

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January 7, 2005

**Date: January 7, 2005
Defendant: Ronald E. Bray, 50, of Rochester, MI
Event: Plea**

**Former COO of One of the Largest Professional Employer
Organization Pleads Guilty**

Ronald E. Bray, 50, of Rochester, who was one of two shareholders and former chief operating officer for, at one time, the fourth largest employee leasing corporation in the United States, pleaded guilty today before the Honorable Robert Cleland, to conspiring to defraud the United States by under-reporting and underpaying in federal employment taxes to the Internal Revenue Service, committing bank fraud, and committing theft or embezzlement from an Employee Benefit Plan, announced U.S. Attorney Craig Morford. Mr. Morford was joined in this announcement by Sandi Carter, Acting Special Agent in Charge of Internal Revenue Service Criminal Investigation, Daniel D. Roberts, Special Agent in Charge of Federal Bureau of Investigation, Robert McEvoy, Assistant Special Agent in Charge of Department of Labor, and Joseph Menez, Regional Director of the Department of Labor, Employee Benefit Security Administration.

According to court records, Mr. Bray, along with Dennis Lambka, 50, Shelby Township, Michigan, the former chief executive officer, were the two shareholders of Simplified Employment Services, Inc. (SES), headquartered in Auburn Hills, Michigan. On December 7, 2004, Mr. Lambka also pleaded guilty to the same conspiracy charge.

SES, at one time, claimed to be the largest privately held employment leasing corporation in the United States, claiming to have 39,000 work-site employees in at least 37 states. By the year 2000, SES, also known as a professional employer organization, or PEO, claimed to have generated nearly \$1 billion in annual revenue.

The company held itself out as an expert and national leader in matters of payroll administration and filing of payroll tax returns. SES assumed all payroll tax duties and responsibilities, including the filing of quarterly employment tax returns and the remitting of the employment taxes to the IRS, according to the Information.

According to court records, from 1997 through at least June 2001, Mr. Lambka and Mr. Bray conspired to under report and underpay more than \$51.7 million in federal employment taxes to the Internal Revenue Service through the related corporations of Design Administrative Resources Technologies, Inc. (DART), Employee Resource Management, Inc. (ERM), Professional Employee Team Enterprises, Inc. (PET Enterprises) and Elite Leasing, Inc. (Elite). During this time period, the disposition of funds included \$12.5 million in business acquisitions and over \$33 million in SES operating losses, among other payments.

Mr. Bray knowingly signed or caused to be signed a total of 7 false Form 941, Employer's Quarterly Federal Tax Returns, where the federal employment tax liability due was purposely understated, many times by millions of dollars per quarter. The objective was to avoid alerting the IRS to the multi-million dollar underpayment of Federal employment taxes.

According to court records, Mr. Lambka and Mr. Bray instructed and caused many of these fraudulent returns to be prepared and filed, only after SES was contacted in 1999 by the IRS as part of a civil inquiry. Moreover, two such fraudulent returns were filed after IRS Criminal Investigation agents executed a search warrant in April 2001 at SES' headquarters and informed Mr. Lambka that he was the subject of a criminal investigation.

Under a project known as "Dennis' Project" and/or the "Candy Project", Mr. Lambka ordered the altering and reversal of payroll data relating to numerous client companies who terminated their business relationship with SES. SES would make it appear that the client companies had been terminated on January 1st of the year, even though taxes and withholdings were collected throughout the year. SES would then reduce future payroll tax deposits to the IRS by an amount equal to the terminated employee payroll taxes and withholding previously collected. Mr. Bray participated in a meeting to discuss the procedural implementation of this scheme.

During 1998 through June 2001, Mr. Lambka and Mr. Bray, in an effort to keep SES as a viable company, knowingly executed a scheme to defraud Michigan National Bank, now known as Standard Federal Saving & Loan. They caused more than \$31 million to be

deposited into an SES' checking account at Michigan National Bank. These checks, which were drawn on accounts of numerous entities related to SES, were intended to conceal a shortfall in income. They were provided daily cash reports, indicating to what account checks had to be written to on any given day. Mr. Lambka and Mr. Bray were aware that funds sufficient to cover these checks were not available.

When Michigan National Bank froze the SES related accounts, in an effort to ascertain the nature and extent of the non-sufficient funds, they determined their resulting loss was more than \$31 million. In addition, from January to June 2001, Mr. Lambka and Mr. Bray embezzled in moneys, securities, and other assets more than \$5 million from SES' welfare benefit plan and \$1 million from SES' employee benefit plan, including their Savings & Investment Plan.

Under the terms of the plea agreement, Mr. Bray faces a statutory maximum penalty of five years imprisonment and \$250,000 fine. The court will determine at sentencing whether restitution will be order and in what amount.

Mr. Bray is scheduled to be sentence on April 14, 2005.

Mr. Morford commended the hard work by agents from the Internal Revenue Service Criminal Investigation, the Federal Bureau of Investigations, and the U.S. Department of Labor for their work in this investigation.